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Supreme Court, U.S.
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IN THE

Supreme Court of the United States

THE LI SECOND FAMILY LIMITED PARTNERSHIP,

Petitioner,

v.

TOSHIBA CORPORATION and TOSHIBA AMERICA ELECTRONIC COMPONENTS, INC.,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR WRIT OF CERTIORARI

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April 9, 2001

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QUESTIONS PRESENTED

I

The various federal circuit courts of appeals have routinely usurped the fact-finding function of the district courts: should this Court exercise its supervisory power under Supreme Court Rule 10 to curtail this practice that "has so far departed from the accepted and usual course of judicial proceedings"?

II

Should this Court exercise its supervisory power to reverse the Federal Circuit's decision below affirming a holding of inequitable conduct (fraud on the Patent Office) where the court substituted its own finding of fact on knowledge after specifically rejecting the basis for the trial court's finding of knowledge?

III

Should this Court exercise its supervisory power to reverse the Federal Circuit's decision below, affirming a holding of inequitable conduct (fraud on the Patent Office), for violating petitioner's due process rights by making a dispositive finding of fact that Petitioner knew of an "implicit" ruling, where the trial court had based its finding of knowledge on the premise of an "explicit" ruling?

PARTIES TO THE PROCEEDING BELOW

1. Plaintiff-Appellant (Petitioner), Li Second Family Partnership;*

2. Defendant-Appellee (Respondent), Toshiba Corporation;

3. Defendant-Appellee (Respondent), Toshiba America Electronic Components, Inc.

*Chou H. Li was a counterclaim defendant in the proceeding before the United States District Court for the Eastern District of Virginia.

STATEMENT PURSUANT TO RULE 29.6

The petitioner, the Li Second Family Limited Partnership, has no parent companies or subsidiaries.

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TOSHIBA CORPORATION AND TOSHIBA AMERICA ELECTRONIC COMPONENTS, INC.

Respondent.

PETITION FOR CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

The petitioner The Li Second Family Limited Partnership respectfully prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit, entered in the above-entitled case on November 8, 2000.

CITATIONS OF OPINIONS AND ORDERS

- *The Li Second Family Ltd. Partnership v. Toshiba Corp., et al.*, App. No. 99-1451, 231 F.3d 1373, Opinion, (Fed. Cir. Nov. 8, 2000). A1

- *The Li Second Family Ltd. Partnership v. Toshiba Corp., et al.*, Civ. No. 97-306-A, Judgment (E.D. Va. May 19, 1999). A17

- *The Li Second Family Ltd. Partnership v. Toshiba Corp., et al.*, Civ. No. 97-306-A, Order (E.D. Va. May 19, 1999). A19

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- *The Li Second Family Ltd. Partnership v. Toshiba Corp., et al.*, Civ. No. 97-306-A, Oral Opinion (E.D. Va. January 6, 1998). A50

- *The Li Second Family Ltd. Partnership v. Toshiba Corp., et al.*, App. No. 99-1451, Order Denying Petition for Rehearing and Rehearing *en Banc* (Fed. Cir. Jan. 9, 2001). A61

JURISDICTION

On November 8, 2000, the United States Court of Appeals for the Federal Circuit issued its opinion affirming the decision of the United States District Court for the Eastern District of Virginia. In response to a timely-filed petition by the Li Second Family Limited Partnership for rehearing and for rehearing *en banc*, on January 9, 2001, the United States Court of Appeals for the Federal Circuit issued an order denying the petition.

This Court has jurisdiction to review the subject judgment of the United States Court of Appeals for the Federal Circuit on a writ of *certiorari* pursuant to 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

United States Constitution:

AMENDMENT V

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in the time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

Federal Rules of Civil Procedure:

RULE 52(a)

(a) Effect. In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon, and judgment shall be entered pursuant to Rule 58; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Requests for findings are not necessary for purposes of review. Findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court. It will be sufficient if the findings of fact and conclusions of law are stated orally and recorded in open court following the close of the evidence or appear in an opinion or memorandum of decision filed by the court. Findings of fact and conclusions of law are unnecessary on

decisions of motions under Rule 12 or 56 or any other motion except as provided in subdivision (c) of this rule.

Supreme Court Rules:

Rule 10

Review on a writ of certiorari is not a matter of right, but of judicial discretion. A petition for a writ of certiorari will be granted only for compelling reasons. The following, although neither controlling nor fully measuring the Court's discretion, indicate the character of the reasons the Court considers:

(a) a United States court of appeals has entered a decision in conflict with the decision of another United States court of appeals on the same important matter; has decided an important federal question in a way that conflicts with the decision by a state court of last resort; or has so far departed from the accepted and usual course of judicial proceedings, or sanctioned such a departure by a lower court, as to call for an exercise of this Court's supervisory powers;

(b) a state court of last resort has decided an important federal question in a way that conflicts with the decision of another state court of last resort or of a United States court of appeals;

(c) a state court or United States court of appeals has decided an important question of federal law that has not been, but should be, settled by this Court, or has decided an important federal question in a way that conflicts with relevant decisions of this Court.

A petition for a writ of certiorari is rarely granted when the

asserted error consists of erroneous factual findings or the misapplication of a properly stated rule of law.

STATEMENT OF THE CASE

This is patent case arising under 28 U.S.C. §1338.

Toshiba alleged that Dr. Li's U.S. patent was unenforceable for inequitable conduct, formerly called fraud on the Patent Office, accusing Dr. Li of intentionally withholding material information from the U.S. Patent and Trademark Office during the prosecution of his patent on a method of making semiconductors. The charge was that Dr. Li knew of a "ruling" in a prior written decision of the Patent Office Board of Appeals that was material to the prosecution of the patent in issue, and that he intentionally withheld disclosure of the decision and ruling. A crucial issue at the bench trial was whether the Board had made any such ruling and consequentially whether Dr. Li knew of such a ruling.

The district court determined that the Board had "expressly" made such a ruling (A44). It then found, sub silentio, that Dr. Li knew of such ruling, and further found that Dr. Li had intentionally withheld the Board decision from the Patent Office.

The Court of Appeals for the Federal Circuit overturned the pivotal determination:

> "...Although the Board did *not explicitly* state that the earlier patents lacked support for the 0.1 micron limitation, it did so *implicitly*..." (*Fed. Cir. Opinion*, p. A5, emphasis added, also p. A11-A12, fn 3).

Nevertheless, it affirmed the judgment of inequitable conduct. In so doing, it necessarily, if not overtly, made a finding of fact that Dr. Li knew of the "implicit" ruling -- knowledge being a necessary element of deceptive intent. Whereas the trial court could, albeit silently, find that Dr. Li knew of the "explicit" ruling, based on the fact that he knew of the decision in which the ruling was written, no such factual finding could be drawn from an "implicit" ruling. The district court's determination that the Board "expressly" made the ruling was an underpinning for its factual findings on all three elements of inequitable conduct -- materiality, misrepresentation and deceptive intent -- yet, the court of appeals while rejecting the former, accepted the latter. Similarly, regarding the ultimate adjudication of inequitable conduct, which rests in the sound discretion of the trial court based on a balancing of all of the evidence, the Federal Circuit affirmed the conclusion even after it removed the underpinning, thus further usurping the jurisdiction of the trial court.

Inequitable conduct, leading to the evisceration of the patent property, requires clear and convincing evidence of 1) materiality, 2) misrepresentation or a failure of a duty to disclose, and 3) intent to deceive. *Molins PLC v. Textron, Inc.*, 48 F.3d 1172, 1178 (Fed. Cir. 1995). Without a finding of knowledge of the information in question there cannot be a finding of 2) failure of a duty to disclose, and there cannot be a finding of 3) intent to deceive. The district court's finding of knowledge was premised on its determination that the Board had made an "explicit" or "express" ruling. Once that premise was rejected by the court of appeals, the question of fact necessarily arose: Did Dr. Li know of the "implicit" ruling? The court of appeals failed in its duty of remanding that purely factual issue to the district court for findings of fact.

A petition for rehearing directed to the court's impermissible fact-finding was filed and denied.

Unless reversed, the grievous consequences of the illicit fact-finding by the court of appeals will be both personal and financial. The professional reputations of both Dr. Li and his patent attorney would be irreparably damaged, and the value of Dr. Li's patent property would be confiscated.

REASONS FOR GRANTING THE WRIT

This Court should reverse the decision below because the lower court engaged in impermissible fact-finding and violated petitioner's due process rights. This Court should grant certiorari because the court below is not alone in its violation of the rule against appellate court fact-finding. To stem this practice, a clarion call from this Court must issue.

Fact-finding by the federal courts of appeals has become commonplace. That federal courts of appeals do not have jurisdiction to find facts is clear [*Anderson v. Bessemer City*, 470 U.S. 564, 573 (1985): "The reviewing court oversteps the bounds of its duty under Rule 52(a) if it undertakes to duplicate the role of the lower courts."], a rule that is universally accepted in principle. That federal appellate courts routinely violate the rule in a quest of seeming justice or efficiency is evidenced in the dissents of their own brethren, just as it is common knowledge at the bar. Absent a clear admonition from this Court, this judicial epidemic will persist.

The problem is not confined to the court below or just a few of the federal circuits, it is pervasive, as reflected by the following illustrative dissents.

First Circuit

"Without further fact-finding, we cannot know the circumstances surrounding Jobe's untimely motion to reopen, and so cannot fairly dispose of his case. Regrettably, the majority does the fact-finding here. That is not a proper appellate function." *Jobe v. I.N.S.*, 238 F.3d 96, 102 (1st Cir. 2001). See also: *Libby v. Duval*, 19 F.3d 733, 744 (1st Cir. 1994); *Collazo Rivera v. Torres Gaztambide*, 812 F.2d 258, 265 (1st Cir. 1987).

Second Circuit

"...the majority inserts its own appellate fact-finding into the case and deprives defendants of the benefit of their bargain." *Huertas v. East River Housing Corp.*, 992 F.2d 1263, 1270 (2nd Cir. 1993). See also: *Fisher v. Vassar College*, 114 F.3d 1332, 1383 (2nd Cir. 1997); *Clarke v. Frank*, 960 F.2d 1146, 1154 (2nd Cir. 1992); *Wilson v. Saintine Exploration and Drilling Corp.*, 872 F.2d 1124, 1130 (2nd Cir. 1989); *Hanson Trust PLC v. ML SCM Acquisition, Inc.*, 781 F.2d 264, 286 (2nd Cir. 1986).

Third Circuit

"... the majority's conclusion is not only impermissible fact-finding ...." *Armstrong Surgical v. Armstrong Memorial Hospital*, 185 F.3d 154, 165 (3rd Cir. 1999); "The district court is the trier of fact in this case. An appellate court should not act as the fact-finder, even where all evidence comes from documents." *Curcio v. John Hancock Mut. Life Ins. Co.*, 33 F.3d 226, 239 (3rd Cir. 1994). See also: *Raquel v. Education Management Corp.*, 196 F.3d 171, 185 (3rd Cir. 1999); *St. Paul Fire and Marine Ins. Co. v. Lewis*, 935 F.2d 1428, 1434-1435 (3rd Cir. 1992);

Burkett v. Cunningham, 826 F.2d 1208, 1233 (3rd Cir. 1987).

Fourth Circuit

"The majority opinion usurps the role of the factfinder and resolves disputed factual issues...." *Cilicek v. Inova Health System Services*, 115 F.3d 256, 264 (4th Cir. 1997); "The majority concocts a fanciful explanation about the existence of two lists .... it is plain that the majority continuously wants to make itself into thee fact-finder in this case." *Be-Lo Stores v. N.L.R.B*, 126 F.3d 268, 301 (4th Cir. 1997). See also: *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 470 (4th Cir. 1996) *Chalmers v. Tulon Co. of Richmond*, 101 F.3d 1012, 1026 (4th Cir. 1996); *Gilliam v. Foster*, 61 F.3d 1070, 1089 (4th Cir. 1995); *Columbus-America Discovery Group v. Atlantic Mut. Ins.*, 974 F.2d 450, 471 (4th Cir. 1992); *Richards v. United Mine Wkrs. Health & Ret. Fund*, 895 F.2d 133, 138 (4th Cir. 1990).

Fifth Circuit

"...the majority exceeds its authority as an appellate court by usurping the fact-finding function .... It then proceeds to conduct a thinly veiled de novo review of the facts...." *Streber v. C.I.R.*, 138 F.3d 216, 224 (5th Cir. 1998); "What the majority has done in this case is to credit the testimony it likes from Logue and to discount all the evidence to the contrary. However, judging the credibility of witnesses is the province of the jury .... We have repeatedly stated that it is not this court's job to reweigh the evidence and second-guess the jury." *Greenwood v. Societe Francaise De*, 111 F.3d 1239, 1251 (5th Cir. 1997). See also: *Gates v. Cook*, 234, F.3d 221, 234 (5th Cir. 2000); *Estate of Monroe v. C.I.R.*, 124 F.3d 699, 715 (5th Cir. 1997);

Moore v. Ashland Chemical Inc., 151 F.3d 269, 289-290 (5th Cir. 1998); *League of United Latin American Citizens v. Clements*, 999 F.2d 831, 918 (5th Cir. 1993); *Whatley v. Armstrong World Industries, Inc.*, 861 F.2d 837, 845 (5th Cir. 1988); *Hill v. City of Houston, Tex.*, 789 F.2d 1103, 1115-1116 (5th Cir. 1986); *Stern v. Tarrant County Hosp. Dist.*, 778 F.2d 1052, 1061 (5th Cir. 1985).

Sixth Circuit

"The Court has decided to re-try the facts of the case on appeal ...." *Stotts v. Memphis Fire Department*, 858 F.2d 289, 303 (6th Cir. 1988). See also: *Scott v. Clay County, Tenn.*, 205 F.3d 867, 880 (6th Cir. 2000); *Lenz v. Erdmann Corp.*, 773 F.2d 62, 68 (6th Cir. 1985).

Seventh Circuit

"The majority continues on ... based on its own creative fact-finding ...." *United States v. Jerez*, 108 F.3d 684, 717 (7th Cir. 1997); "I am concerned that the majority has not applied the 'clearly erroneous' standard of review in this case, but rather has engaged in *de novo* fact-finding." *Libman Co. v. Vining Industries, Inc.*, 69 F.3d 1360, 1367 (7th Cir. 1995). See also: *Rokovich v. Wade*, 850 F.2d 1180, 1215 (7th Cir. 1988); *Torres v. Wisc. Dept. of Health & Social Services*, 859 F.2d 1523, 1534-1535 (7th Cir 1988); *Occidental Fire & Cas. Co., v. International Ins., 804 F.2d* 983, 998 (7th Cir. 1986); *United States v. Wolf*, 787 F.2d 1094, 1102 (7th Cir. 1986); *American Hosp. Supply v. Hospital Product Ltd.*, 780 F.2d 589, 608 (7th Cir. 1985).

Eighth Circuit

"In addition to usurping the fact-finding function of the district court, the majority makes this assertion without evidentiary support." *Families Achieving Independence v. Social Services*, 91 F.3d 1076, 1083 (8th Cir. 1996); "Instead, the majority engages in de novo fact-finding ...." *Johnson v. Methorst*, 110 F.3d 1313, 1319 fn.5 (8th Cir. 1997). See also: *Day v. Johnson*, 119 F.3d 650, 658 (8th Cir. 1997); *Klein v. Arkoma Production Co.*, 73 F.3d 779, 790-791 (8th Cir. 1996); *GSX Corp. of Missouri v. N.L.R.B.*, 918 F.2d 1351, 1360-1361 (8th Cir. 1990); *Timm v. Gunter*, 917 F.2d 1093, 1103 (8th Cir. 1990); *Matter of Search of 4801 Fyler Ave.*, 879 F.2d 385, 391 (8th Cir. 1989); *Norwest Capital Management & Trust Co. v. United States*, 828 F.2d 1330, 1345-1346 (8th Cir. 1987); *McDonnell v. Hunter*, 809 F.2d 1302, 1311-1312 (8th Cir. 1987).

Ninth Circuit

"I am concerned, however, that the majority engages in appellate fact-finding...." *Prudential Ins. Co. of America v. Lai*, 42 F.3d 1299, 1306 (9th Cir. 1994) See also: *United States v. Doe*, 136 F.3d 631, 640 (9th Cir. 1998); *Dyer v. Calderon*, 151 F.3d 970, 987 (9th Cir. 1998); *Thomas v. County of Los Angeles*, 978 F.2d 504 (9th Cir. 1992); *White v. Samsumg Electronics America, Inc.*, 971 F.2d 1395, 1406 (9th Cir. 1992); *Brooks v. Hilton Casinos Inc.*, 959 F.2d 757, 776-777 (9th Cir. 1992); *R.C. Dick Geothermal Corp. v. Thermogenics, Inc.*, 890 F.2d 139, 159 (9th Cir. 1989); *Maldonado-Cruz v. Dept. of Imm. & Naturalization*, 883 F.2d 788, 793-794 (9th Cir. 1989); *Stevenson v. Koskey*, 877 F.2d 1435, 1443 (9th Cir. 1989); *United States v. Winsor*, 846 F.2d 1569, 1579 (9th Cir. 1988); *United States v. $25,000 U.S. Currency*, 853 F.2d 1501, 1509 (9th Cir. 1988).

Tenth Circuit

"Twice now the majority has assumed the role of ultimate fact finder." *Ware v. Unified School District No. 492*, 902 F.2d 815, 820 (10th Cir. 1990).

Eleventh Circuit

"... the majority's reliance on its original fact-finding ... establishes a new and absurd rule that a non-moving party failing to meet its burden in the district court may nonetheless win outright judgment with evidence considered for the first time on appeal." *Bellsouth Advertising and Publishing Corp. v. Donnelley Information Publishing, Inc.*, 999 F.2d 1436, 1485 fn.9 (11th Cir. 1993). See also: *Mendoza v. Borden, Inc.*, 195 F.3d 1238, 1277 (11th Cir. 1998); *Holsomback v. White*, 133 F.3d 1382, 1389, n.1 (11th Cir. 1998); *Denson v. Stack*, 997 F.2d 1356, 1363 (11th Cir. 1993); *Haitian Refugee Center, Inc. v. Baker*, 953 F.2d 1498, 1518 (11th Cir. 1992); *Hutchison v. Bowen*, 787 F.2d 1461, 1466 (11th Cir. 1986);

District of Columbia Circuit

"On the impropriety of appellate fact-finding and appellate contortions of the administrative record, the majority and I are in full agreement, but ironically it is the majority who is violating this important principle here." *Diamond Walnut Growers, Inc. v. N.L.R.B.*, 113 F.3d 1259, 1274 fn.6 (D.C. Cir. 1997). See also: *United States v. Microsoft*, 147 F.3d 935, 963 (D.C. Cir. 1998); *Connors v. Incoal, Inc.*, 995 F.2d 245, 252-253 (D.C. Cir. 1993); *Hammon v. Barry*, 826 F.2d 73, 93 (D.C. Cir. 1987).

Federal Circuit

"The majority's attempt to reargue the facts ... is little more than an appellate court's assertion that it is better at fact-finding than the trial judge and jury." *Nobelpharma AB v. Implant Innovations, Inc.*, 129 F.3d 1463, 1475-1476 (Fed. Cir. 1997), *op. withdrawn on reh.*, 141 F.3d 1059 (Fed. Cir. 1998). See also: *Lough v. Brunswick Corp.*, 103 F.3rd 1517, 1526 (Fed. Cir. 1997); *Hughes Aircraft Co. v. United States*, 86 F.3d 1566, 1583 (Fed. Cir. 1996); *United Nuclear Corp. v. United States*, 912 F.2d 1432, 1442 (Fed. Cir. 1990); *Jones v. Hardy*, 727 F.2d 1524, 1534 (Fed. Cir. 1984).

This is just a sampling of recent written dissents earmarking appellate fact-finding. As is common knowledge in the appellate bar, the practice is far more widespread. Rule 52 (a) (Fed.R.Civ.P.) is often honored in its breach, and this Court has upon occasion taken summary steps to combat this pernicious practice. *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809 (1986).

The case at bar involves a charge of fraud or, as the Federal Circuit Court of Appeals prefers to call it, inequitable conduct. Two men's reputations hang in the balance as does one man's patent property. The appellate court below made a finding of fact that Dr. Li knew of what it deemed to be the "implicit" ruling of the Board. No trial was ever had on such an issue; no proof, much less "clear and convincing evidence," was ever proffered; and no opportunity to face one's accusers and rebut the charges was ever afforded petitioner. The Federal Circuit merely, and silently, made a finding of fact that Dr. Li knew of this "implicit" ruling. It violated his due process rights and stripped him of his reputation and patent property. U.S. Constitution, Amendment V. *Mathews v. Eldridge*, 424 U.S.

319, 332-335 (1976).

If this were just one case of judicial error and injustice, the valuable time of this Court might not be available to right the wrong. But this case is emblematic of a plague on the federal judiciary. In the present case, just as in the numerous cases cited from the various circuits, the Federal Circuit "has so far departed from the accepted and usual course of judicial proceedings ... as to call for an exercise of this Court's supervisory power." (Supreme Court Rule 10; 28 U.S.C. §2106). The violation of this basic principle of appellate review calls for the exercise of this Court's supervisory power to impress upon the appellate courts the necessity of steadfastly adhering to this fundamental tenet.

CONCLUSION

The writ should issue.

Respectfully Submitted,

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